SASKATCHEWAN WATER CORPORATION

ANNUAL REPORT 1988

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Foster Lake, Northern Saskatchewan

Letter of Transmittal

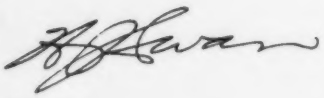
Regina, Saskatchewan
March 31, 1989

To Her Honour
The Honourable Sylvia Fedoruk
Lieutenant Governor of the Province of Saskatchewan

Madam:

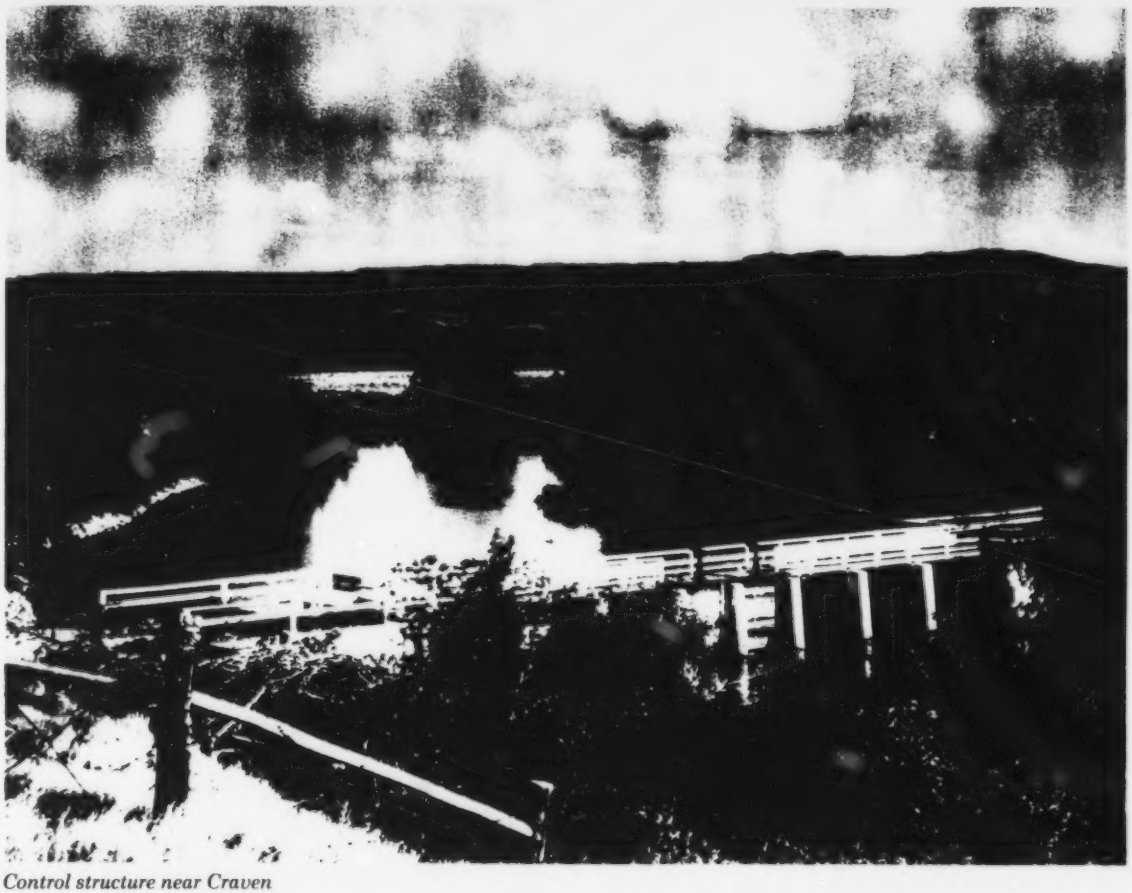
I have the honour to submit herewith the Annual Report of the Saskatchewan Water Corporation for the year ended December 31, 1988, including the financial statements in the form approved by the Treasury Board and duly certified in accordance with **The Water Corporation Act**.

I have the honour to be, Madam,
Your obedient servant,



H.J. Swan
Minister Responsible for
Saskatchewan Water Corporation

Managing Water: Our Shared Responsibility



Control structure near Craven

Water is our most valuable natural resource.

The quantity and quality of water available to us greatly affects our lifestyle and economic strength.

At the same time, the way we use water in agriculture, industry, and at home affects the quantity and quality of this valuable resource available for further use.

As a result, we all must use water responsibly. Our present and future well-being depend on it.

Profile

Sask Water is a provincial Crown corporation. It is responsible for the management, administration, development, protection and control of Saskatchewan's water and related resources as established by **The Water Corporation Act**, July, 1984.

Sask Water offers a broad range of services and assistance programs relating to water resource management, supply and treatment, and development. It also operates a water supply utility with municipal, industrial and individual customers.

The Corporation's head office is located in Moose Jaw. In addition, it operates six regional, one subregional and two branch offices.

For additional information, please contact:

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Moose Jaw, Saskatchewan,
Canada S6H 7X9
Telephone (306) 694-3900
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Minister's Remarks

Chairman, Board of Directors, Hon. H.J. Swan

1988 was one of Sask Water's most challenging years in its five year history.

Lack of runoff and seasonal rains, when combined with the effects of previous dry years, made water supply a serious concern for many farmers, ranchers and communities.

Sask Water first responded to drought conditions in 1984 by revising existing programs and developing new programs. From 1984 to 1987 these programs met the needs of those served. However, the severe and widespread drought conditions in 1988 meant Saskatchewan people needed more help.

In May of 1988, the provincial government provided Sask Water with an additional $8.5 million to enrich six of its key water supply programs: test drilling, well drilling, community wells, dugout pumping, dugout and small storage reservoir construction and municipal water assistance. When combined with the efforts of communities and individuals to conserve water, these programs addressed short and long-term needs.

Sask Water's system of regional advisory boards enables the Corporation to maintain close contact with communities and individuals. They also help Sask Water respond quickly to local needs. In 1988 this type of contact helped Sask Water address immediate problems and develop sound solutions for the future.

Multi-use projects continue as a high priority. For example, the Luck Lake irrigation project, being built under the Canada-Saskatchewan Subsidiary Agreement On Irrigation Based Economic Development, will tie-in with an ambitious Ducks Unlimited Canada project. It will also provide water for the Village of Birsay and a number of farmers in the area. Projects built under the Agreement also emphasize related economic development opportunities by diversification through irrigation.

In joint federal-provincial projects, excellent progress continued under a subsidiary agreement to the Canada-Saskatchewan Economic and Regional Development Agreement. This program, scheduled for completion in 1990, is to help 42 key agricultural centres improve water supply and waste water disposal facilities. Sask Water and the Prairie Farm Rehabilitation Administration (PFRA) administer the program with PFRA overseeing implementation.

Progress also occurred under the Canada-Saskatchewan Flood Damage Reduction Program. The communities of Melfort and Radville were designated in 1988 under this program designed to reduce flood risk.

In 1989 we will continue to work closely with provincial and federal departments and agencies in projects and programs involving water management and development. This work will include addressing environmental concerns, pursuing economic developments and improving conservation of water and related land resources.

Of great help in these considerations is the work of our Board of Directors. We were pleased to add to the expertise of the Board with the appointment of Mr. E.B. Campbell of Regina. Mr. Campbell retired as President of the Saskatchewan Power Corporation in 1987. He brings to the Corporation extensive executive and engineering experience gained in his 37 year career with the provincial Crown utility.

1988 reminded residents, businesses and industries of the importance of water. It showed the value of multi-use water storage projects. It emphasized the need for communities and individuals to plan for all circumstances. It also pointed out that, regardless of the approaches used, the key to effective water management is to have the cooperation and understanding of all those affected.

Water is our most valuable natural resource. I encourage all communities and individuals to emphasize two key aspects for our water resources — protection and conservation.

Hon. H.J. Swan
Minister Responsible
Chairman, Board of Directors

Sailing, Lake Diefenbaker

Canada Geese, Wascana Lake, Regina

Qu'Appelle River Valley scene

President's Remarks

V.C. Fowke, F.C.A., President

Benjamin Franklin wrote, "When the well is dry, we know the worth of water."

Saskatchewan residents certainly felt the truth of this statement in 1988. And after 1988 we could easily add dugouts and storage reservoirs to Franklin's quotation.

As a result of wide-spread and often critical drought conditions, we received greatly increased provincial government funding. This meant we could increase assistance for our key water supply and development programs to 50% of costs, less payments received from other government sources. It also helped us provide extra incentive for individuals and communities to undertake drought proofing measures.

This increased funding also allowed Sask Water to make changes to our programs to address new and emerging concerns. These changes included adding dugouts, infiltration wells and water supply pipelines, for groups of five farmers or more, to the Community Well Program. We paid 50% of the costs for the rental of pumping equipment from private suppliers. We also paid 50% of the cost of investigation and exploratory drilling and for urban pumping and hauling under the Municipal Water Assistance Program.

During 1988, the Corporation experienced record levels of applications and approvals. For example, under our test drilling program, designed to help us collect valuable hydrogeologic information, we received more than 3,400 applications. In contrast we paid 663 grants under this program in 1987.

Wells showed a similar dramatic increase. As a result of extra program demand and program changes, we received more than 5,000 applications. In 1987 we paid 144 grants under the deep well program.

In terms of surface water supply, activity was just as busy. Applications for dugouts and small storage reservoirs totalled more than 5,000 whereas in 1987 we paid 454 grants for these types of projects. Expressed in other terms, this was a 1000% increase over the previous year.

Clients also pumped a record number of dugouts. In 1988 this total reached 1,981. The previous record number of dugouts pumped was set in 1981 at 1,522. This was accomplished by adding to our existing equipment and extending assistance to include equipment rented from private suppliers. It was also a testament to the spirit of cooperation which exists in Saskatchewan communities and among members of the farming population.

These types of long-term drought proofing activities and short-term water supply mitigation activities help illustrate Sask Water's mandate.

Our Corporation's overall corporate goal is to manage, develop and protect the water resources of Saskatchewan in the public interest.

Our sectoral goals are:

1. To establish a comprehensive management framework which will enable the short and long-term social and economic benefits of water use to be realized;
2. To advise and represent the Government of Saskatchewan on all aspects of water resource management and development;
3. To promote increased public awareness and understanding of water resource management and development;
4. To determine and provide for the equitable distribution of the public sector costs of water resource management;
5. To manage public investments in water projects; and

6. To construct, acquire or operate water related works on mutually satisfactory terms.

All units of the Corporation worked towards these goals in 1988. In addition to our emphasis on drought proofing, we continued to meet other strategic management goals and objectives.

For example, all divisions participated in water resource management forums and in public display opportunities. Finance and Administration improved corporate information systems. Special Projects proceeded with group irrigation projects and related economic development opportunities. Resource Management developed water management models for major river systems in the province and was active in monitoring apportionment agreements affecting interjurisdictional water management. Operations Division expanded regional water supply systems, worked with group and individual irrigation, flood control and drainage projects, and increased its involvement in extension services. It also improved the quality of life for many residents living in Northern Saskatchewan with the construction of new water and sewer facilities.

Highlights of 1988 include:

- Meeting the needs of a record number of clients.
- Excellent progress on the Luck Lake and Riverhurst irrigation projects near Lake Diefenbaker under the Canada-Saskatchewan Subsidiary Agreement On Irrigation Based Economic Development.
- Installation of a fourth water supply pump for the East Side Pump Plant at Lake Diefenbaker.
- Working closely with the Saskatchewan Research Council to improve water quality through treatment of algae in dugouts.
- Improved data bases and flow of information to help better utilize technology, improve water management and maximize our human and financial resources.

As always, our success depends largely on the cooperation of many individuals, associations, municipalities and communities. Never has that cooperation been more visible or more appreciated than in a year like 1988. On behalf of the Board of Directors, advisory board members, senior management and employees of Sask Water, I extend sincere thanks.

Also, to our employees I extend my congratulations for excellent performance under what were at times very demanding circumstances. At our 1988 staff conference I was pleased to present service awards to 28 of these employees.

I also extend my appreciation to the Sask Water Employees' Association and their executive whose support and input we rely on for the ongoing success of our Joint Council.

Many of our employees also donated their time and skills to serve their communities and professional associations. Examples of community involvement included local service clubs and church groups, minor sports and fund raising campaigns such as the United Way. As a result of these kinds of involvement, Sask Water becomes an even more important part of the communities and regions we serve.

Goals for 1989 include increasing our role as a water supply utility and continuing to emphasize the multi-use aspects of water management. We look forward to the year ahead in our role to manage and protect Saskatchewan's valuable water resources.

V. C. Fowke

V. C. Fowke, F.C.A.
President

Children race out for swimming lessons

Managing A Vital Resource Region By Region

The Southwest Region, with its office in Swift Current, covers some 51,000 square kilometres (20,000 square miles).

River basins in this region include: South Saskatchewan River, Missouri, a portion of Old Wives Lake and Cypress Hills. Major water courses are the South Saskatchewan River, Wood River, Frenchman River, Swift Current Creek, Lodge Creek, Battle Creek, and Middle Creek.

The Southeast Region, with its office in Weyburn, is approximately 46,000 square kilometres (18,000 square miles) in size.

The river basins in this region include: Souris, Missouri and a portion of Old Wives Lake. Major water courses are the Souris River, Poplar River, Moose Mountain Creek, and Long Creek.

The East Central Region, with its office situated in Moose Jaw, has an area of approximately 76,000 square kilometres (29,000 square miles).

River basins located in this area include: Qu'Appelle, Assiniboine and Lake Winnipegosis. Major water courses are Moose Jaw Creek, Wascana Creek, Qu'Appelle River, Arm River, Yorkton Creek, Lanigan Creek, Whitesand River, Assiniboine River and Swan River.

The West Central Region, with its office in Outlook, has an area of approximately 43,000 square kilometres (17,000 square miles).

River basins include: portions of the South Saskatchewan River and North Saskatchewan River as well as a portion of the Qu'Appelle River. Major water courses in the region are the South Saskatchewan River, North Saskatchewan River and Eagle Creek.

The Northeast Region, with its office in Nipawin, contains approximately 56,000 square kilometres (22,000 square miles).

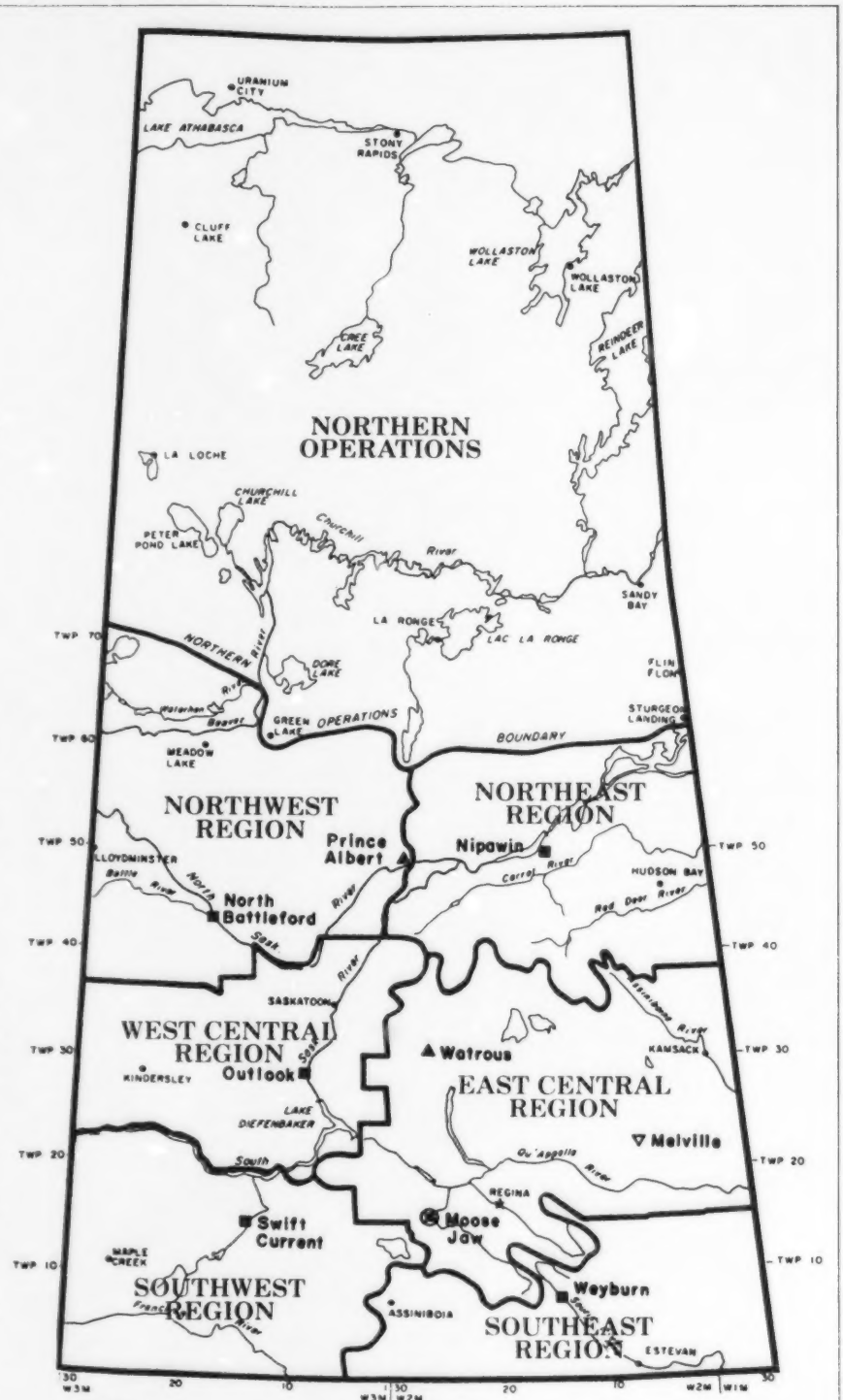
River basins include: Saskatchewan, South Saskatchewan, North Saskatchewan and Lake Winnipegosis. Major water courses include the Saskatchewan River, South Saskatchewan River, North Saskatchewan River, Carrot River, Torch River, Red Deer River and Swan River.

The Northwest Region, with its office in North Battleford, has an approximate area of 70,000 square kilometres (27,000 square miles).

River basins in this region include: portions of the North Saskatchewan River and South Saskatchewan River, and Churchill. Major water courses are the North Saskatchewan River, South Saskatchewan River, Beaver River, Waterhen River, Battle River, Makwa River, Big River, and Eagle Creek.

The Northern Operations branch, with its office in Prince Albert, serves a vast, sparsely populated area of approximately 250,000 square kilometres (96,000 square miles).

River basins include: Saskatchewan, Churchill, Lake Athabasca, Kasba Lake and Tazin River. The major river systems are Clearwater River, Geikie River, Cree River, Fond du Lac River, Porcupine River, Churchill River, Haultain River, Reindeer River, Beaver River, Sturgeon-Weir River, Cochrane River, McFarlane River, and Tazin River.



LEGEND

- ~ Regional Boundary
- ▲ Branch Office
- ○ Head Office
- ▽ Subregional Office
- ■ Regional Office

Finance And Administration Division

The Finance and Administration Division helps the Corporation achieve its objectives by providing a high quality of support services emphasizing timely and accurate information.

These services are centralized in Sask Water's head office in Moose Jaw. They include accounting, financial planning, communications, office administration, personnel and systems service.

Due to regional activity related to drought conditions in 1988, Finance and Administration experienced record levels of inquiries and activities in most areas, especially in accounting transactions and communications.

Water creates a cool atmosphere in this urban setting

Special Projects Division

Special Projects is responsible for implementing two programs, irrigation water supply development and economic development and support, under the Canada-Saskatchewan Subsidiary Agreement On Irrigation Based Economic Development. This Agreement, signed in 1986, provides for a $100 million investment in irrigation based economic development in Saskatchewan.

The Agreement management committee is co-chaired by Agriculture Canada and Sask Water with costs shared equally. Financial support for Sask Water is provided in part by the Saskatchewan Agriculture Development Fund.

Qu'Appelle River near Fort Qu'Appelle

Program 1 — Irrigation Water Supply Development

This program involves developing water delivery systems for irrigation works around Lake Diefenbaker in west central Saskatchewan.

Luck Lake Irrigation Project

Construction activity on the Luck Lake Irrigation Project reached its peak in 1988. The pump station was completed and pipelines installed to supply the 2,400 hectares (6,000 acres) of irrigation which will start up in 1989. High-pressure concrete pipe began arriving by rail in March and was unloaded and strung along the pipeline right-of-way. Crews began laying pipe in May and worked through to the end of October. By October pumps were ready to be tested and controls checked.

The 1988 drought had left dugouts and water levels very low in the project area. Special provision was made during the commissioning phase to provide water to fill dugouts for domestic customers on the project.

The Village of Birsay reservoir was partially filled ensuring residents a good supply of water for the winter. Water was also supplied to the Ducks Unlimited Heritage Marsh project on Luck Lake for migrating waterfowl.

Sask Water and Birsay Water Users' Association look forward to 1989 and the initial operation of the Luck Lake Irrigation Project system.

Riverhurst Irrigation Project

Work began in 1988 on the pump station and drainage for the Riverhurst Irrigation Project. The pump station construction proceeded on schedule, with the wet well being completed and walls for the pump station poured.

Drainage was improved along the main project drain. These works will improve drainage of spring runoff from the irrigation project area. The project will begin operating in the spring of 1990.

Program 2 — Economic Development and Support

Canada and Saskatchewan administer this program to provide economic development and support to irrigation project areas. Sask Water has helped promote market development and processing directly related to the Luck Lake and Riverhurst irrigation projects.

Activities in 1988 included discussions with water users on ways to encourage processing industries to establish in the project areas. Specific possible activities included major feedlot development, meat packing industry expansion, export opportunities for alfalfa products and hog production and marketing. A scoping study has outlined opportunities in these various areas, with alfalfa showing the best opportunity for irrigation diversification.

Contacts were made with local groups and Saskatchewan Rural Development concerning the possible use of Rural Development Corporations for long-term economic development in the region. A conference was held in Moose Jaw where more than 50 community leaders from the Lake Diefenbaker Development Area discussed various options available.

Research and development activities continued in 1988 under the Agreement. The Saskatchewan Irrigation Development Centre (SIDC) at Outlook sponsored several field days and tours of projects. A series of three workshop sessions held at Riverhurst and Birsay introduced prospective irrigators to irrigation farming in general and some of the specifics related to the impacts irrigation would have on their operations and the communities.

Resource Management Division

Resource Management carries out its responsibilities through two branches, Engineering and Planning.

The Division's responsibilities include: technical services in engineering, hydrology and hydrogeology, basin planning and floodplain management; support services to the regional and branch offices; and interjurisdictional aspects of water management.

Some specific activities include: engineering design; establishment of specifications and standards; project review; contract administration; streamflow and lake level monitoring; interjurisdictional water management; flow forecasting; hydrological investigations; maintenance of records; drafting; aerial photo interpretation; and operation planning for the Saskatchewan River System, the Souris River System and the Qu'Appelle River System.

Staff from the Resource Management Division also represent the Corporation on the Prairie Provinces Water Board, Canada-Saskatchewan Consultative Committee On Water, International Souris River Board of control, the Mackenzie River Basin Committee and the Water Advisory Committee of the Canadian Council of Resource and Environment Ministers.

Wildlife management area

Prairie marshlands create refuge for wildlife

Highlights Of Activities

Engineering Branch

Hydrology Service

Hydrology Service consists of the Surface Water Hydrology Section, Groundwater Hydrology Section and the Operation Planning Section. During 1988, Hydrology Service worked on more than 500 projects, some of which included:

— Aquifer management plans for the Regina and Yorkton aquifers. This work will continue in 1989 and is part of an undertaking to develop aquifer management plans for major aquifers in the province. The objective is to develop management strategies for the protection and optimum allocation of available groundwater resources;
— Support for regional activities related to groundwater sourcing and domestic well problems;
— Water management strategy for the Lower Wood River Basin;
— Expanded and modified automatic data collection and processing systems; and
— Development of the South Saskatchewan River Basin water management model.

Technical Service

Technical Service provides technical and engineering support to other work units of the corporation, including standard engineering designs, design reviews and issuance of engineering standards, specifications and guidelines.

During 1988, Technical Service:

— completed project design and reviews for approximately 60 regional projects, including Good Spirit Lake, Disley South and Brownlee North irrigation projects (East Central); Weyburn Flood Control (Southeast); Vanguard and Lawson Weirs and Miry Creek irrigation project (Southwest); Saskatchewan Irrigation Development Centre and Hillcrest irrigation project (West Central); Fosston and Mount Forest flood control projects (Northeast); Fort Pitt and Northminster irrigation projects and Vant Creek flood control project (Northwest); and Luck Lake and Riverhurst irrigation projects (Special Projects).
— reviewed 59 submissions as a member of the provincial Wetlands Technical Advisory Committee;
— interpreted aerial photographs of drainage areas for 203 projects;
— updated and prepared twenty key plans for Conservation and Development Areas and Water Users' Districts; and
— continued the second phase of the Saskatchewan Dam Safety Program by compiling data books and completing on-site inspection reports for 73 dams.

Urban Engineering

Urban Engineering provides technical evaluations of detailed engineering designs and predesign studies for water and waste water projects. Urban Engineering also undertakes special assignments for small communities.

In 1988, Urban Engineering:

— examined 44 regional applications prior to issuance of Approvals to Construct and to Operate Works.

Pumphouse framing, Riverhurst irrigation project, Lake Diefenbaker

— evaluated 59 predesign engineering reports and technical assignments, including Duck Lake, Bethune, Wood Mountain and Disley water supply; water distribution and sewage collection for the northern communities of Beauval, Cumberland House and La Loche; and collecting data for a national study on water consumption.

Registrar's Unit

The Registrar's Unit maintains records under the Corporation's various regulatory programs. It also provides information and data on surface water, groundwater and drainage developments in the province. Activities in 1988 included:

— Updated computer data bases for surface and groundwater projects;
— Received a record number of well driller reports (5,265), nearly double the past ten year average;
— Reviewed and cleared water rights licences for 667 individual parcels of land; and
— Prepared two Orders-in-Council approving cancellation of water rights licences and amending regulations under **The Water Power Act**.

Planning Branch

Basin Planning

Basin Planning provides a comprehensive basin development and review function for provincial and interjurisdictional water sources. Significant activities in 1988 included:

— A continuation of studies leading to the development of a framework plan to guide future management of water in the South Saskatchewan River Basin. This work was done in cooperation with Environment Canada under a cost shared federal-provincial four year agreement;
— Continuation of work on a report outlining Saskatchewan's position with respect to the apportionment of the water of the Poplar River Basin between Saskatchewan and Montana;
— Participation in technical discussions with representatives of the governments of Alberta and the Northwest Territories to evaluate water management issues involving the Mackenzie River Basin;
— Technical input to assist the Souris Basin Development Authority in ongoing negotiations of an agreement between Canada and the United States of America for operation and financing of the Rafferty and Alameda dams in southeast Saskatchewan;
— Undertaking with the City of Melfort and the Town of Radville their designation under the Canada-Saskatchewan Flood Damage Reduction Program; and
— Amendments to the Reservoir Development Regulations to provide for eleven new development permits for recreational sites at Lake Diefenbaker (7), Blackstrap Reservoir (3), and Brightwater Reservoir (1).

Draglines work on well intake, Luck Lake irrigation project, Lake Diefenbaker

Operations Divison

Operations coordinates the activities of six regional offices located in Swift Current, Outlook, North Battleford, Nipawin, Weyburn, and Moose Jaw, with a subregional office in Melville. Each regional office has an advisory board made up of local people with a knowledge and appreciation of regional water management concerns.

Operations is also responsible for Lands and Right-of-Way, the Northern Operations Branch in Prince Albert and the Water Supply Utility Branch in Watrous.

Regional Offices

East Central Region (Moose Jaw, Melville)

The continued drought conditions increased client requests for technical and financial assistance to secure assured water supplies. With the introduction of enhanced drought assistance programs, client requests for assistance to develop wells, dugouts, and reservoirs increased dramatically. A similar strong demand was experienced for rental of dugout pumping equipment.

Activity in the irrigation programs also increased with approximately 80 clients requesting technical and financial assistance for intensive irrigation project development. Development grants were provided for approximately 20 individual projects and four group projects including the Disley South, Baildon, Brownlee North and Disley West projects.

Even with the limited runoff and continued drought conditions, client requests continued for project investigations and developments under provisions of the Water Control Assistance Program. Technical and financial assistance was provided for construction on nine major water control projects. These projects totalled approximately 40 kilometres (25 miles) of conveyance channel excavation and associated structure installations. Administrative and financial assistance was also provided for maintenance work on approximately 20 previously constructed water control projects.

Construction was initiated on a walleye fish nursery as part of the mitigative requirements to offset impacts of the conveyance works on the Qu'Appelle River. Construction work also included limited spoil shaping on the Qu'Appelle River conveyance channel. The work program is part of the $4.75 million Canada-Saskatchewan Agreement on Qu'Appelle River Channel Conveyance. This is a five year joint agreement administered by Environment Canada and Sask Water.

West Central Region (Outlook)

In 1988 precipitation and spring runoff were significantly below normal. The poor runoff resulted in low water levels in Lake Diefenbaker and minimum flows throughout most of the year on the South Saskatchewan River. During the year regional staff were mainly involved in the delivery of services to individuals and communities to address water needs. They also responded to increased interest in irrigation development.

The region continued contract work on the purchase and installation of a fourth pump unit for the East Side Pump Plant located on the east abutment of Gardiner Dam. The 2,200 horsepower pump unit can supply water at a rate of 125,000 gallons per minute into a canal for domestic, municipal, irrigation, industrial, and recreation needs. The increased pumping capacity will ensure Sask Water can meet the future needs of water users on the system.

Staff began design and construction activity on the Hillcrest group irrigation project. The project, located five kilometres (three miles) east of Dundurn, involves the irrigation of 1,150 hectares (2,840 acres) of farm land. The buried pipeline system is designed to supply water to each field at the pressure required by each sprinkler irrigation system. The computerized pump plant, located on the west shore of Blackstrap Lake, will automatically turn pumps on and off in response to the individual farmer's need for water. It is expected the project will be operational in June, 1989.

The Saskatchewan Irrigation Development Centre (SIDC) is located at Outlook. The Centre is managed by a federal-provincial committee. In 1988, regional staff provided the provincial management component. The Centre is responsible to demonstrate, facilitate and coordinate irrigation research and demonstration activities related to crops and new equipment technology. During the year the Centre handled 12 research contracts and 21 demonstration agreements. Decisions on project funding are made by the Centre Management Committee with assistance from two advisory committees composed of researchers and irrigation farmers. Funding for the projects is provided either by Saskatchewan's Agriculture Development Fund or by the Canada-Saskatchewan Agreement On Irrigation Based Economic Development.

Southwest Region (Swift Current)

Due to the severe drought experienced during 1988, regional activities were predominantly focussed on drought relief programs. Activity included the construction of 1,196 dugouts and small reservoirs and the completion of 462 wells. The severity of the drought can be gauged by a comparison of the activity under these two programs with that of 1987, which also was a dry year. The number of dugouts and wells for which assistance was provided in 1988 increased fourteen times and twenty-six times respectively over the levels experienced in 1987.

A number of communities also experienced water shortages. Technical and financial assistance for hauling and pumping water was provided to the Town of Herbert, the villages of Limerick, Palmer and Mazenod and the rural municipalities of Whiska Creek No. 106 (Hamlet of Pambrun), and Coulee No. 136 (Hamlet of Hallonquist).

Nearly all irrigation farmers in the region had restrictions imposed on their water use. Most intensive and group gravity projects were limited to 50% of their normal allocations. The majority of nonintensive projects (spring operation only) received no irrigation water supply.

Tractor provides power for drought relief dugout pumping

Interest in irrigation development remained high. Six project construction development grants were paid. In addition, Sask Water began reconstructing the Vanguard and Lawson Weirs. These weirs supply water to a nonintensive group irrigation project. Forty individual irrigation assistance grants were paid for the development and upgrading of on-farm irrigation works.

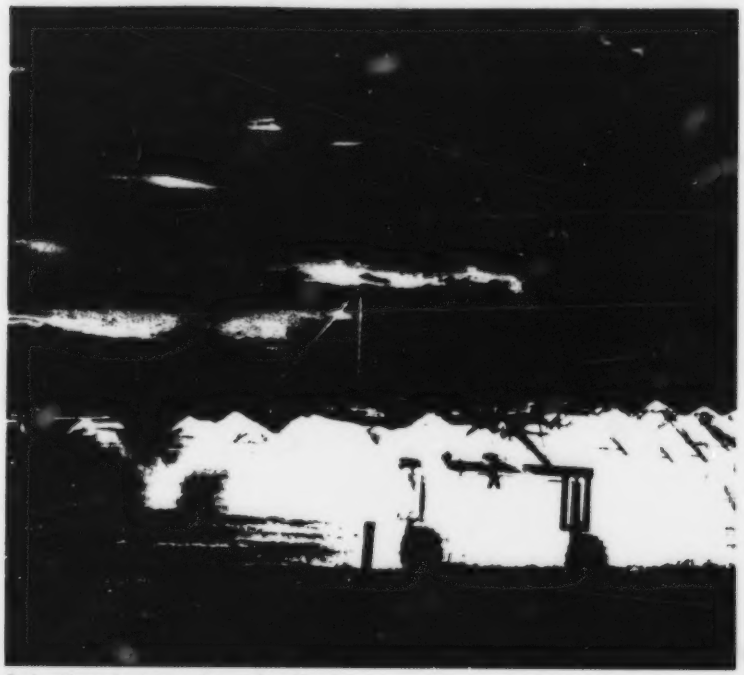
Northwest Region (North Battleford)

With the dry conditions continuing into the middle of 1988, drought related activities increased substantially. Even with the above average precipitation in early fall, inquiries increased fifteen times and grant payments nine times 1987 levels.

Construction of the Northminster Effluent Irrigation Project was essentially completed and commissioning is scheduled for the spring of 1989. The project will use treated effluent from the City of Lloydminster to irrigate approximately 320 hectares (790 acres) under Phase 1. The cost of construction is being shared 50/50 by Sask Water and Agriculture Canada's Prairie Farm Rehabilitation Administration.

Final designs were started on the Fort Pitt Group Irrigation Project. A Water Users' District was also formed. This project will irrigate up to 930 hectares (2,300 acres) using water from the North Saskatchewan River.

Design of the Vant Creek Flood Control Project was completed and the Conservation and Development Area Authority established. This project, located north of Shellbrook, will improve drainage of some 230 hectares (560 acres) of land adjacent to the creek. An important part of the project includes the retention of the more productive waterfowl habitat in the area.



Irrigation pivot transforms landscape

Northeast Region (Nipawin)

Above normal runoff in the spring of 1988 caused widespread flooding and erosion damage in the northeast, especially in the Carrot and Red Deer River Basins. As a result of erosion damage, 30 projects were constructed under Sask Water's Erosion Control Assistance Program.

Construction and renovations were undertaken on 22 flood control projects. The region supplied technical and financial assistance to 21 Conservation and Development Area Authorities for maintenance of their water control works.

The hot dry summer in the northeast caused a sharp decline in the availability of surface water supplies and in the groundwater table. The northeast region dealt with 2,550 inquiries for drought related assistance resulting in 608 grants for wells and dugouts. In addition, assistance was supplied to 156 farmers and 4 urban communities to pump additional water to their surface water supply reservoirs.

Technical assistance was supplied to 42 urban communities in the region for improvements to their water supply and treatment facilities or for sewage disposal works.

Regional staff continued to work with the Saskatchewan Research Council to study control measures to counter algae problems in farm ponds.

Interest in Sask Water's Irrigation Assistance Program increased with technical activity for 34 individual projects and 2 group projects.

Island Falls Power Station, Northern Saskatchewan

Operations Division
Program Overviews 1985-1988

Southeast Region (Weyburn)

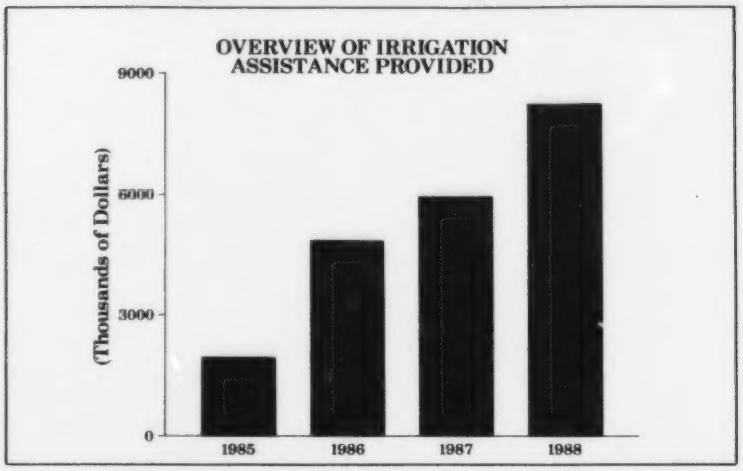
Severe drought conditions resulted in over 10,000 inquiries including 3,000 visitors at the Southeast Regional Office in Weyburn in 1988. The region received applications for assistance from 70 rural municipalities and urban centres and 4,000 applications were received for the construction of dugouts, wells and test drilling. In addition, 600 farmers rented dugout pumping and pipeline equipment. If added together, this pipe would have reached from Winnipeg to Calgary, a distance of 1,336 kilometres (830 miles).

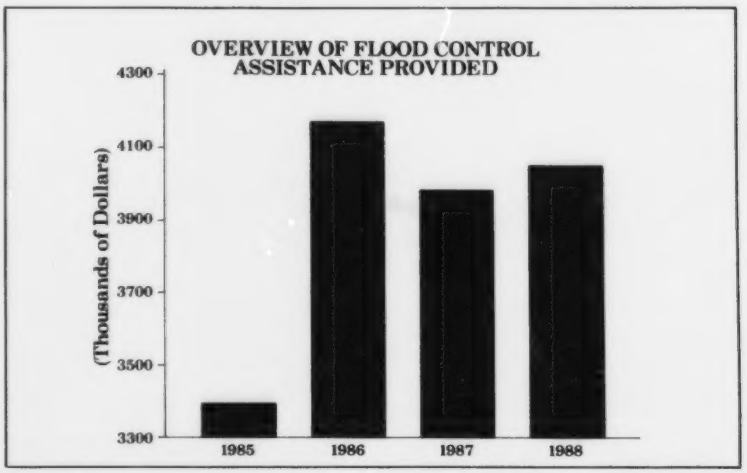
The region provided technical and financial assistance to the Prospect Water Users' Co-operative near Weyburn for the development of a well and 11 kilometres (7 miles) of pipeline. This project will serve seven farm sites in the area.

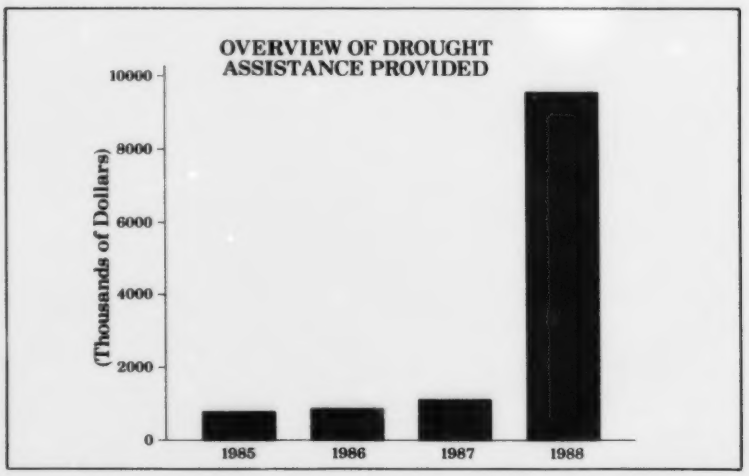
Work on the City of Weyburn Flood Control Project continued. Construction involved earth and concrete dykes at several locations and a large drainage structure under Highway #35 south of the city.

Despite the dry conditions, the regional office received 20 new applications for intensive irrigation development, including eight groundwater projects.

Regional staff also undertook various activities relating to the Rafferty/Alameda project proposals. This work included regulatory review, approvals, participation at hearings and presentations to various interest groups and organizations.







Major Assistance Programs

This chart deals with major programs and gives a four year comparison.

	Assistance Program	Number of Recipients			
		1988	1987	1986	1985
A.	**DROUGHT**				
	Test Drilling	1,246	663	568	582
	Deep Well	2,855*	144	129	149
	Community Well	29	20	25	19
	Dugout and Small Storage Reservoir	4,169	454	275	108
	Farm Dugout Pumping	1,981	936	518	495
	*Includes both shallow and deep wells. Numbers for 1985-1987 are for wells 72 metres (236 feet) and deeper.				
B.	**IRRIGATION**				
	Individual Irrigation (Water Supply)	305	204	280	222
	Individual Irrigation (On-farm - $250/hectare; $100/acre)	156	348	—	—
	Group Irrigation				
	— Operations	28	68	17	11
	— Special Projects	8	5	—	—
C.	**FLOOD CONTROL & DRAINAGE**				
	Erosion Control	64	59	78	26
	Channel Clearing	32	50	34	17
	Urban Flood Control	4	2	11	12
	Rural Water Control				
	— Construction	80	127	121	42
	— Maintenance	222	253	135	—
D.	**WATER AND SEWAGE**				
	Northern New Facilities	8	5	4	7
	Northern Water Assistance	5	4	3	—
	Northern Operations and Maintenance	18	30	25	—
	Water Pollution Control Assistance	2	1	3	—
	Municipal Water Assistance	147	184	229	152

Northern Operations

Northern Operations provides the following technical and training services for communities in Northern Saskatchewan: Northern New Facilities; Northern Municipal Water Assistance; and Northern Municipal and Training Assistance.

Activity under these programs in 1988 included:

— Completion of a municipal water and sewer system at Jans Bay and the start of construction for a similar project at Cole Bay; water main and service expansion at Pelican Narrows in conjunction with Saskatchewan Housing Corporation; tendering of a joint Sask Water/Indian and Northern Affairs Canada municipal system for Wollaston Lake;

— Upgrading of water treatment and storage facilities at Cumberland House; sewage lagoon expansion at Buffalo Narrows and sewage treatment plant renovations at Denare Beach; and

— Operation of government/institutional water and sewer systems at Stony Rapids and Wollaston Lake; training support for operators of northern municipal water and sewer systems and for operators on 30 Indian Reserves.

Nistowiak Falls, near Lac La Ronge, Northern Saskatchewan

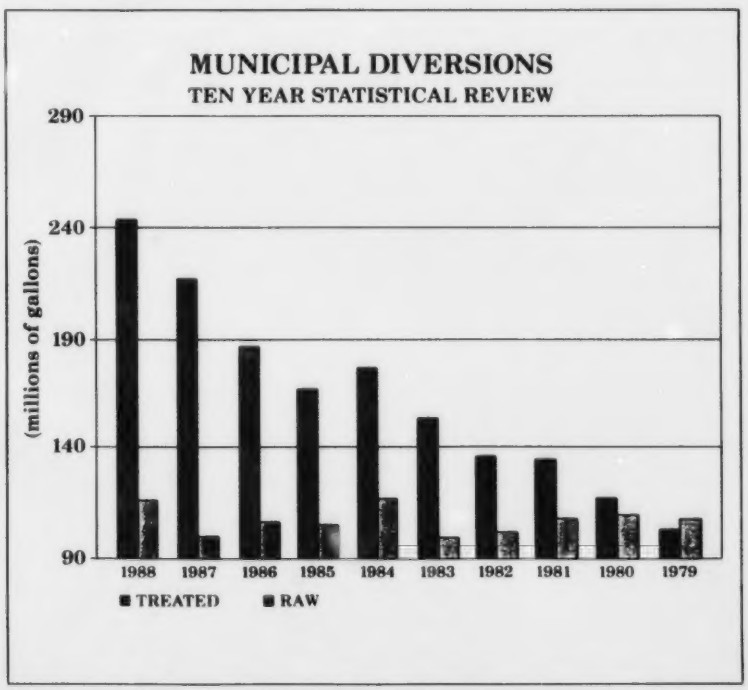
Water Supply Utility

The Water Supply Utility operates multipurpose water supply projects owned by the Corporation. The works serve municipal, agricultural, industrial, recreational and wildlife conservation requirements by way of pipelines and surface water delivery systems.

The works are presently organized into five distinct systems.

1. The Saskatoon-Southeast Water Supply System consists of a network of reservoirs, canals and pipelines constructed to distribute water from Lake Diefenbaker.
2. The Saskatoon Treated Water Supply System, which uses the City of Saskatoon's treated water system as a source of supply, distributes treated water via pipeline to domestic, municipal and industrial users in the surrounding region. Within this system there are three separate regional water supply systems.
3. The Saskatoon West Water Supply System, using the South Saskatchewan River as a source, supplies untreated water to various domestic, municipal and industrial users in the Saskatoon area.
4. The Buffalo Pound West Treated Water Supply System utilizes the Buffalo Pound Water Treatment Plant as a source of supply and distributes water by pipeline to domestic, municipal and industrial users.
5. The Regina East Water Supply System became operational during 1988. This system sources its water supply from the Regina Aquifer and distributes water by pipeline to domestic and municipal users.

These five systems consist of 137 kilometres (85 miles) of canal, five storage reservoirs, and 282 kilometres (175 miles) of pipeline. The works currently serve 15 industrial, 19 municipal and 260 domestic users.

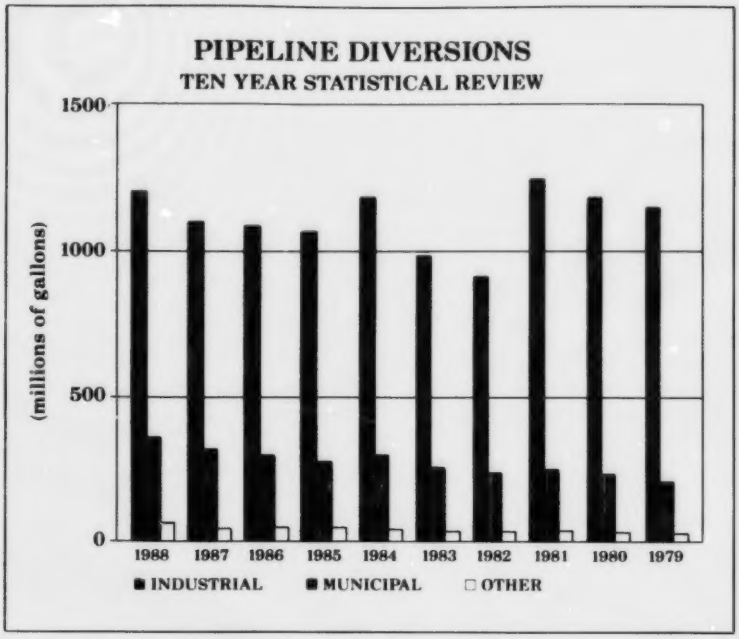


Pipeline Water Supply

The Water Supply Utility's pipeline water market consists mainly of potash and chemical producers. The municipal component serves 16 urban and three rural communities with a combined population of approximately 13,200 persons.

The total volume of water supplied to pipeline customers was 1,618.4 million gallons. This was an increase of 168.8 million gallons or nearly 11.6 per cent from 1,449.6 million gallons in 1987. This volume of water surpassed the record volumes set during 1981.

The increased sales of treated water is a direct result of major upgrading of works and the drought conditions of 1988.



Pipeline Diversions

SYSTEM	COMPONENT	MILLIONS OF GALLONS SUPPLIED 1988	1987
Saskatoon - Southeast	Industrial	628.3	560.4
	Municipal	101.2	90.8
	Other	6.5	4.7
SYSTEM TOTALS		736.0	655.9
Saskatoon West	Industrial	387.4	345.9
	Municipal	11.0	9.4
	Other	26.5	19.5
SYSTEM TOTALS		424.9	374.8
Saskatoon - Treated	Industrial	180.4	181.4
	Municipal	236.6	211.0
	Other	25.1	18.6
SYSTEM TOTALS		442.1	411.0
Buffalo Pound	Industrial	1.4	1.1
	Municipal	6.5	4.6
	Other	3.6	2.2
SYSTEM TOTALS		11.5	7.9
Regina East	Industrial	0.0	0.0
	Municipal	3.6	0.0
	Other	0.3	0.0
SYSTEM TOTALS		3.9	0.0
ALL SYSTEMS	Industrial	1,197.5	1,088.8
	Municipal	358.9	315.8
	Other	62.0	45.0
TOTAL ALL SYSTEMS		1,618.4	1,449.6

Surface Water Supply

SURFACE WATER CUSTOMERS	SURFACE WATER DIVERSIONS CUBIC DECAMETRES (ACRE-FEET) 1988		1987	
Department of Agriculture				
— Irrigation Projects	31,037	(25,162)	31,540	(25,570)
Department of Parks, Recreation and Culture				
— Recreation	6,907	(5,600)	7,278	(5,900)
— Waterfowl Breeding Projects	4,917	(3,986)	3,941	(3,195)
TOTAL	42,861	(34,748)	42,759	(34,665)

The Water Supply Utility's surface water customers are the Department of Agriculture and the Department of Parks, Recreation and Culture. The total volume of surface water supplied by the Utility from canals and reservoirs comprising the Saskatoon-Southeast Water Supply System amounted to 42,861 cubic decametres (34,748 acre-feet). This is an increase of 102 cubic decametres (83 acre-feet) or 0.2 per cent over the 1987 diversion of 42,759 cubic decametres (34,665 acre-feet).

The major use of surface water is in the development of individual irrigation projects. During 1988, the Utility supplied a total of 7,158 hectares (17,686 acres) with irrigation water, a decrease of 88 hectares (217 acres).

Diversions for the Department of Parks, Recreation and Culture were made for recreation purposes and for thirteen waterfowl breeding projects.

The volume of water originating from Lake Diefenbaker and diverted into the Saskatoon-Southeast Water Supply System was 52,491 cubic decametres (42,555 acre-feet). This diversion accounted for 36.4 per cent of the volume of water pumped at the East Side Pump Plant. This pump plant serves the South Saskatchewan River Irrigation District as well as the Saskatoon-Southeast Water Supply System.

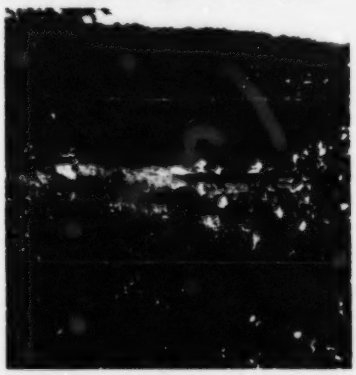
Construction Program

The Water Supply Utility completed a capital program totalling approximately $440,000 in 1988. Major projects involved the construction of two new pipelines and the upgrading of one existing system.

An agreement was reached with the R.M. of Corman Park, No. 344 for Sask Water to construct, own, and operate a water supply pipeline to provide water to the Hamlet of Riverside Estates, located directly south of the City of Saskatoon. The pipeline interconnects with the Saskatoon West Water Supply System pipeline. The construction of 4.7 kilometres (2.9 miles) of 150mm (6 inch) Series 160 PVC pipeline was completed during 1988 and was placed into service in December. The total project cost was approximately $133,000.

Sask Water and Canron Hyprescon reached an agreement whereby Sask Water will supply water to the proposed Canron Pipe Plant located approximately 8 kilometres (5 miles) southeast of the City of Saskatoon. A 3.4 kilometre (2.1 mile), 100mm (4 inch) Series 160 PVC water supply pipeline was installed in December, 1988. The pipeline, which is owned and operated by Sask Water, interconnects with the east pipeline of the Saskatoon Treated Water Supply System. The proposed pipe plant is expected to be in operation by April, 1989. The total water supply project cost will be approximately $107,000.

Upgrading of the Saskatoon West Water Supply System was initiated in 1988. The upgrading program consists of the installation of pumping facilities at SaskPower's Queen Elizabeth Power Station Pumphouse in Saskatoon and 743 metres (2,440 feet) of 406mm (16 inch) steel pipeline. This pipeline interconnects with the existing Saskatoon West Water Supply System. When completed, the work will result in improved service to customers on the Saskatoon West Water Supply System. Expenditures during 1988 were approximately $201,000. The total project cost is estimated to be $625,000.



Canoeists enjoy Kenosee Lake, Moose Mountain Provincial Park, Southeast Saskatchewan

Management's Responsibility For Financial Reporting In The Annual Report

Management has prepared the financial statements of the Corporation in accordance with generally accepted accounting principles applied on a consistent basis. The financial data included elsewhere in this report is consistent with the financial statements and the underlying information from which the Corporation prepared these financial statements.

Management has the primary responsibility for the integrity and objectivity of the financial statements. To fulfill this responsibility, the Corporation maintains appropriate systems of internal controls, policies and procedures. These systems provide reasonable assurance that assets are safeguarded and that the books and records reflect the authorized transactions of the Corporation.

Peat Marwick, the Corporation's external auditors, have examined the December 31, 1988 consolidated financial statements and their report follows.

The Board of Directors of Sask Water has examined and approved the statements.

On behalf of the Corporation,

Wayne Phillips
Vice-President
Finance and Administration

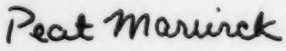
Auditors' Report

To the Members of the Legislative Assembly
Province of Saskatchewan

We have examined the statement of financial position of the Saskatchewan Water Corporation as at December 31, 1988 and the statements of operations and retained earnings and changes in the financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Saskatchewan Water Corporation as at December 31, 1988 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chartered Accountants



Regina, Canada
March 1, 1989

SASKATCHEWAN WATER CORPORATION

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 1988
(with comparative figures for 1987)

	1988	1987
	(Thousands of Dollars)	
ASSETS		
CURRENT ASSETS:		
Short-term investments — at cost	$ 1,601	$13,501
Accounts receivable	3,460	8,530
Prepaid expenses and supplies	295	306
	5,356	22,337
LONG-TERM ACCOUNTS RECEIVABLE (note 3)	16,862	4,265
PROPERTY, PLANT AND EQUIPMENT (note 4)	63,743	27,959
	$85,961	$54,561
LIABILITIES AND PROVINCE'S EQUITY		
CURRENT LIABILITIES:		
Bank indebtedness	$ 2,978	$ 1,232
Notes payable (note 5)	31,800	5,800
Accounts payable and accrued liabilities	7,109	7,257
Deferred grant revenue (note 6)	4,332	17,277
	46,219	31,566
DEFERRED REVENUE (note 7)	28,337	10,409
LONG-TERM DEBT (note 8)	1,996	4,506
	76,552	46,481
PROVINCE'S EQUITY:		
Equity advance (note 9)	700	700
Contributed surplus (note 10)	933	870
Retained earnings	7,776	6,510
	9,409	8,080
Commitments and contingencies (note 13)		
	$85,961	$54,561

See accompanying notes to financial statements

SASKATCHEWAN WATER CORPORATION

STATEMENT OF OPERATIONS AND RETAINED EARNINGS

YEAR ENDED DECEMBER 31, 1988
(with comparative figures for 1987)

	1988	1987
	(Thousands of Dollars)	
REVENUE:		
Grants from the Province of Saskatchewan	$28,368	$16,272
Water	8,906	9,967
Interest	1,352	1,042
Other	1,029	570
	39,655	27,851
EXPENSES:		
Grants to clients (note 11)	27,977	15,903
Operations	9,203	9,660
Depreciation	934	847
Interest (note 12)	275	167
	38,389	26,577
NET EARNINGS	1,266	1,274
RETAINED EARNINGS, BEGINNING OF YEAR	6,510	5,236
RETAINED EARNINGS, END OF YEAR	$ 7,776	$ 6,510

See accompanying notes to financial statements

SASKATCHEWAN WATER CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED DECEMBER 31, 1988
(with comparative figures for 1987)

	1988	1987
	(Thousands of Dollars)	
CASH PROVIDED BY (USED IN):		
Operating activities:		
Net earnings	$ 1,266	$ 1,274
Charges and credits not affecting cash:		
Amortization	(484)	(404)
Depreciation	934	847
Sinking fund earnings	(510)	(1,206)
Other	(62)	4
Net changes in non-cash and other items relating to operations:		
Long-term receivables	(12,597)	(3,866)
Deferred revenue	18,412	6,525
Deferred grant revenue	(12,945)	9,557
Other	4,933	(2,989)
Cash provided by (used in) operations	(1,053)	9,742
Investment activities:		
Capital expenditures	(36,656)	(10,126)
Assets acquired at no cost and credited to contributed surplus	63	—
Cash used in investment activities	(36,593)	(10,126)
Financing activities:		
Proceeds from notes payable	26,000	2,300
(Repayment of) Proceeds from long-term debt	(2,000)	1,000
Cash provided by financing activities	24,000	3,300
(DECREASE) INCREASE IN CASH POSITION	(13,646)	2,916
CASH POSITION, BEGINNING OF YEAR	12,269	9,353
CASH POSITION, END OF YEAR	$ (1,377)	$12,269
Consists of:		
Short-term investments	$ 1,601	$13,501
Bank indebtedness	2,978	1,232
	$ (1,377)	$12,269

See accompanying notes to financial statements

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1988

1. STATUS OF THE CORPORATION:

The Saskatchewan Water Corporation was established on July 1, 1984, under the authority of **The Water Corporation Act**.

In accordance with the provisions of the Act, the Corporation's general powers and purposes are to manage all water resources, to control, develop and administer the use of all water resources in the Province of Saskatchewan in an economic and efficient manner, and to own and operate water-related works. In addition, the Corporation may provide financial assistance to various persons, communities and organizations to carry out its general powers and purposes.

2. SIGNIFICANT ACCOUNTING POLICIES:

Property, Plant and Equipment:

Purchases of property, plant and equipment are recorded at cost. Assets under construction are capitalized at cost, and are transferred to the appropriate asset category when construction is complete and the asset is in use.

Depreciation:

Depreciation is calculated at the following annual rates designed to amortize the recorded cost over the estimated useful lives of the assets. Included with buildings is a 20-year prepaid lease on office space. The prepayment is amortized over the term of the lease on a straight-line basis.

Assets	Method	Rate
Buildings	straight-line	2½% to 5%
Water facilities	straight-line	2% to 10%
Maintenance and Office Equipment	diminishing balance or straight-line, as appropriate	10% to 30%

Capitalization of Expenses:

Internally provided engineering and technical services are capitalized at standard labour rates designed to recover salaries, benefits and overhead. The objective of this policy is to recognize the approximate value of design, supervision and administrative services rendered by Corporation employees on construction projects.

Deferred Revenue:

Deferred revenue includes grants received from the Province of Saskatchewan for the purpose of acquiring fixed assets and revenue prepayments required from certain customers at the commencement of supply. Grants are amortized into revenue over the useful lives of the assets. Revenue prepayments, which relate to the utility operation, are amortized into revenue at 5% per annum on a straight-line basis.

Grants from the Province of Saskatchewan:

Under the authority of Section 21 of **The Water Corporation Act**, the Corporation receives grants out of monies appropriated by the legislature for the purposes identified in that section from the Consolidated Fund of the Province. Grants received for the payment of administration costs are recorded as revenue to the extent that administration costs of non-utility operations exceed revenue relating to this segment of the Corporation's activities; grants received for the purpose of paying program grants are recorded as revenue to the extent that the related program expenditures are recorded as an expense; and grants received but not credited to revenue are recorded as deferred grants.

Grants to Clients:

Grants for a variety of programs are recorded as an expense if the final approval for the grant payment was made during the year. Where the Corporation enters into contractual arrangements for project construction under various assistance programs, grant expenditures are accounted for on an accrual basis.

Segmented Information:

Revenue and expenses directly attributable to each segment of the Corporation's activities are reflected in the results of operation of each segment together with an allocation of general administrative expenses on the basis of the number of employees directly employed by each segment.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1988

3. LONG-TERM ACCOUNTS RECEIVABLE:

In accordance with the Canada-Saskatchewan Subsidiary Agreement On Irrigation Based Economic Development, the amount of $16,862,400 (1987 — $4,265,400) is receivable from Agriculture Canada by March 31, 1991 and has been credited directly to fixed assets.

4. PROPERTY, PLANT AND EQUIPMENT:

	1988			1987
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
	(Thousands of Dollars)			
Land	$ 2,799	$ —	$ 2,799	$ 2,746
Buildings	1,254	285	969	1,001
Water facilities	18,937	6,382	12,555	10,843
Maintenance equipment	1,534	868	666	431
Office equipment	1,568	680	888	855
Assets under construction	45,866	—	45,866	12,083
	$71,958	$ 8,215	$63,743	$27,959

5. NOTES PAYABLE:

	1988	1987
	(Thousands of Dollars)	
Province of Saskatchewan (non-interest bearing)		
Due Date		
March 31, 1988	$ —	$ 5,800
March 29, 1989	10,800	—
December 29, 1989	21,000	—
	$31,800	$ 5,800

6. DEFERRED GRANT REVENUE:

	1988	1987
	(Thousands of Dollars)	
Balance, beginning of year	$17,277	$ 7,720
Grants received	33,016	25,558
Recorded as grant revenue	(45,961)	(16,001)
Balance, end of year	$ 4,332	$17,277

7. DEFERRED REVENUE:

	1988	1987
	(Thousands of Dollars)	
Balance, beginning of year	$10,409	$ 4,288
Grants and contributions received	18,412	6,525
Recorded as grant revenue	(484)	(404)
Balance, end of year	$28,337	$10,409

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 1988

8. LONG-TERM DEBT:

Year Received	Year Paid or Payable	Interest Rate	1988 Debt Recorded	1987 Debt Recorded
			(Thousands of Dollars)	
1968	1988	6.585%	$ —	$ 6,133
1969	1989	7.485%	1,124	1,124
1971	1991	6.930%	657	657
1977	1997	8.880%	1,030	1,030
1980	1988	12.000%	—	900
1983	1988	10.750%	—	2,000
1987	1991	9.000%	1,000	1,000
			3,811	12,844
Less Equity in Sinking Funds			1,815	8,338
			$ 1,996	$ 4,506

Loans received in 1969, 1971 and 1977 are subject to repayment upon six months notice.

9. EQUITY ADVANCE:

The equity advance was received from Crown Investments Corporation of Saskatchewan and is intended as long-term equity capitalization for the Corporation. This advance is non-interest bearing with no fixed term of repayment.

10. CONTRIBUTED SURPLUS:

Under the authority of subsection 75(1) of **The Water Corporation Act**, **The Water Corporation Transfer of Asset Regulations** were established in 1984 to transfer to the Corporation property and assets owned by the departments of Agriculture, Environment and Urban Affairs. The regulations were amended in 1988 to transfer to the Corporation additional property and assets owned by the departments of Agriculture and Environment and Public Safety. These assets were recorded by the Corporation at their estimated net realizable value with corresponding credits totalling $933,000 to contributed surplus.

11. GRANTS TO CLIENTS:

Included in expenses are grants (or assistance) provided to various persons, communities and organizations to carry out a variety of programs administered by the Corporation. In addition, where the condition of financial assistance for certain programs requires the Corporation to provide engineering or technical services, an allocation of salaries to grant expense is made. Particulars of these grants, including salary allocation of $5,573,700 (1987 — $3,971,600), by program, are as follows:

	1988	1987
	(Thousands of Dollars)	
Drought (wells)	$ 9,565	$ 1,119
Irrigation Development	6,241	5,228
Municipal Water and Sewage	5,707	4,353
Flood Control and Drainage	4,050	3,984
Individual Irrigation — Agricultural Development	1,986	636
Canada-Saskatchewan Agreement on Qu'Appelle River Conveyance	428	583
	$27,977	$15,903

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1988

12. INTEREST EXPENSE:

	1988	1987
	(Thousands of Dollars)	
Total interest expense	$ 785	$ 1,373
Sinking fund earnings	510	1,206
Interest expense	$ 275	$ 167

13. COMMITMENTS AND CONTINGENCIES:

As at December 31, 1988, the Corporation has outstanding commitments of $25,488,300 (1987 — $18,166,000) for construction contracts and consulting agreements primarily relating to grant assistance and capital acquisitions.

As of December 31, 1988, the Corporation is the defendant to several unresolved statements of claim. The Corporation has provided in the accounts for these claims in accordance with the advice received from legal counsel. The Corporation intends to account for any differences which may arise, between amounts provided and amounts expended, in the period in which the claims are resolved.

14. LEASES:

The Corporation has entered into operating lease agreements with the following minimum lease payments:

	(Thousands of Dollars)
1989	$ 921
1990	836
1991	819
1992	803
1993	798
1994 and subsequent	4,842
	$ 9,019

15. RELATED PARTY TRANSACTIONS:

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown controlled departments, agencies and corporations with which the Corporation is related. Account balances resulting from these transactions are included in the statement of financial position and are settled on normal trade terms except as described below.

The Corporation has entered into an agency agreement with the Souris Basin Development Authority, a provincial Crown corporation, whereby the Authority will plan, organize, design and construct works on the Souris River and Moose Mountain Creek on behalf of the Corporation. Sask Water will fund the Authority for the construction costs. The estimated cost of the project is $120,000,000 and Sask Water's share is expected to be $48,000,000. Monies advanced in respect of costs incurred on this agreement in 1988 totalling $18,142,000 (1987 — $3,152,600) are included in assets under construction (note 4), reflecting the Corporation's intention to recover the costs through future revenues. The nature of such arrangements is subject to the finalization of agreements with other participants in the project.

Other amounts due to and from related parties and the terms of settlement are described separately in the financial statements and the notes thereto.

NOTES TO THE FINANCIAL STATEMENTS

DECEMBER 31, 1988

16. SEGMENTED INFORMATION:

Statement of Operations:

	1988			1987		
	Non-Utility	Utility	Total	Non-Utility	Utility	Total
	(Thousands of Dollars)					
REVENUE:						
Grants from Province of Saskatchewan	$28,177	$ 191	$28,368	$16,206	$ 66	$16,272
Water	5,177	3,729	8,906	6,237	3,730	9,967
Interest	1,352	—	1,352	1,042	—	1,042
Other	569	460	1,029	351	219	570
	35,275	4,380	39,655	23,836	4,015	27,851
EXPENSES:						
Grants to clients	27,977	—	27,977	15,903	—	15,903
Operations	6,879	2,324	9,203	7,571	2,089	9,660
Depreciation	385	549	934	354	493	847
Interest	34	241	275	8	159	167
	35,275	3,114	38,389	23,836	2,741	26,577
NET EARNINGS	$ —	$ 1,266	$ 1,266	$ —	$ 1,274	$ 1,274

Board of Directors

Board of Directors (standing l. to r.) Don Olah, Doug Cole, Cecilia Mulhern, Jack Piercy; (seated l. to r.) Charlene Currie, Hon. Herb Swan, Bruce Campbell. Hon. Neal Hardy unavailable when photo taken.

Board of Directors
(at December 31, 1988)

Honourable Herb Swan, MLA Rosetown-Elrose
Chairman of the Board
Minister of Environment and Public Safety
Minister Responsible for Sask Water

Honourable Neal Hardy, MLA Kelsey-Tisdale
Vice-Chairman of the Board
Minister of Rural Development

Doug Cole, Moose Jaw

Don Olah, Weyburn

Cecilia Mulhern, Meyronne

Charleen Currie, Prince Albert

Jack Piercy, Rosetown

Bruce Campbell, Regina

Management
(at December 31, 1988)

Vern Fowke, F.C.A.
President

Dave MacLeod, P.Eng.
Senior Vice-President, Vice-President Resource Management

Wayne Phillips
Vice-President, Finance and Administration

Al Veroba, P.Eng.
Vice-President, Operations

Paul Jarvis, P.Eng.
Vice-President, Special Projects

Cliff Wheatley, B.Eng., LL.B.
General Counsel, Corporate Secretary

Corporate Directory

Chairman, Board of Directors
Minister Responsible

Honourable H.J. Swan
Room 302, Legislative Building
Regina, Saskatchewan, Canada
S4S 0B3
(306) 787-6100

East Central Region

Second Floor, Victoria Place
111 Fairford Street East
Moose Jaw, Saskatchewan
S6H 7X9
Inquiry (306) 694-3892

East Central Subregional Office

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256 2nd Avenue West
Melville, Saskatchewan
S0A 2P0
Inquiry (306) 728-4516
Telecopier (306) 728-5122

West Central Region

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410 Saskatchewan Avenue West
Outlook, Saskatchewan
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Telecopier (306) 867-9868

Advisory Board

***Ben Kuzmicz, Candiac**
Arnold Schreffler, Liberty
Ted Batters, Lumsden
Des Peeke, Semans
John Bahnuik, Canora

Advisory Board

***Doug Ector, Elbow**
Harold Cole, Rosetown
Kelvin Bagshaw, Birsay
Jon Gillies, Saskatoon
Roberta Crossman, Rosetown

Southwest Region

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350 Cheadle Street West
Swift Current, Saskatchewan
S9H 4G3
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Telecopier (306) 778-8271

Northwest Region

402 Royal Bank Tower
1101 - 101st Street
North Battleford, Saskatchewan
S9A 0Z5
Inquiry (306) 446-7450
Telecopier (306) 446-7461

Northeast Region

P.O. Box 2133
201 1st Avenue East
Nipawin, Saskatchewan
S0E 1E0
Inquiry (306) 862-1750
Telecopier (306) 862-1771

Advisory Board

***Derald Busse, Swift Current**
Don Pearson, Eastend
Lynn Grant, Val Marie
Mark Kilcher, Swift Current
Peggy Sanderson, Maple Creek
Reg Parsons, Swift Current

Advisory Board

***Ab Bridges, North Battleford**
Denis Hinz, Prince Albert
John Soloninko, North Battleford
Bill Larsen, Borden
Ian Lauder, Shellbrook
Leonard Trask, Paradise Hill

Advisory Board

***Jack Ukrainetz, Hudson Bay**
Joe Zagrodney, Wadena
Dale Northcott, Melfort
Buck Borsa, Carrot River
Maureen McGirr, Nipawin

Southeast Region

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110 Souris Avenue
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Northern Operations

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Water Supply Utility

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Watrous, Saskatchewan
S0K 4T0
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Advisory Board

***Ed Kennett, Wawota**
Tom Quigley, Yellow Grass
Jack Muirhead, Estevan
Lorne Kramer, Midale
John Moffat, Moosomin
Carl Pilkey, Assiniboia

Head Office

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Advisory Board Membership
as at December 31, 1988
***Denotes Chairman**

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Foster Lake, Northern Saskatchewan (Gov't of Sask. Photo)

Control structure near Craven (Gov't of Sask. Photo) Page 2

Sailing, Lake Diefenbaker Gov't of Sask. Photo) Page 4

Canada Geese, Wascana Lake, Regina (Gov't of Sask. Photo) Page 4

Qu'Appelle River Valley scene (Gov't of Sask. Photo) Page 4

Children race out for swimming lessons (Gov't of Sask. Photo) Page 6

Water creates a cool atmosphere in this urban setting (Gov't of Sask. Photo) Page 8

Qu'Appelle River near Fort Qu'Appelle (Gov't of Sask. Photo) Page 8

Wildlife management area (Gov't of Sask. Photo) Page 9

Prairie marshlands create refuge for wildlife (Gov't of Sask. Photo) Page 10

Pumphouse framing, Riverhurst irrigation project, Lake Diefenbaker (Sask Water Photo) Page 10

Draglines work on well intake, Luck Lake irrigation project, Lake Diefenbaker (Sask Water Photo) Page 11

Tractor provides power for drought relief dugout pumping (Sask Water Photo) Page 12

Irrigation pivot transforms landscape (Gov't of Sask. Photo) Page 13

Island Falls Power Station, Northern Saskatchewan (Sask Water Photo) Page 13

Nistowiak Falls, near Lac La Ronge, Northern Saskatchewan (Gov't of Sask. Photo) Page 16

Canoeists enjoy Kenosee Lake, Moose Mountain Provincial Park, Southeast Saskatchewan. (Gov't of Sask. Photo) Page 18

Irrigation pivots create green circles near Lake Diefenbaker (Gov't of Sask. Photo) Page 30